



**Director of
Central
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11 August 1982

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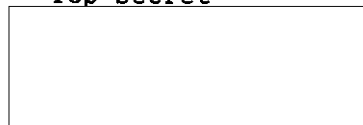
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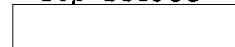
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ISRAEL-LEBANON: Evacuation Plan Unfolding

(Information as of 2300 EDT)

//Israeli aircraft bombed Palestinian targets in Beirut again yesterday. In Tel Aviv the cabinet agreed "in principle" to Ambassador Habib's plan for the evacuation of the PLO, and Syria announced that it will take PLO fighters from Beirut.

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Israeli aircraft yesterday attacked Palestinian refugee camps in southwestern Beirut as well as the Fakhani district, where the PLO command headquarters is located.

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The US Embassy in Beirut reports that artillery and small arms fire resumed after the airstrikes ended.

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The Israelis have sent additional units north of Beirut. On Monday, the US defense attache in Beirut saw a convoy of 100 Israeli military vehicles on the road to Juniyah, and another US Embassy official reported Israeli tanks and artillery positioned in the hills above Ad Dubayyah.

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The director of the nearby water treatment plant, which purifies water for all of Beirut, has expressed concern that the Israeli deployment there risks damage to the plant from Palestinian artillery.

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Israel continues extensive resupply of its forces in Lebanon and is moving additional fresh troops there. During a trip through northern Israel yesterday, the US defense attache saw 135 trucks with ammunition and supplies, 25 armored personnel carriers, and ten buses headed north. the Israelis probably are increasing their troop strength to press the Palestinians or for a possible all-out assault on West Beirut.

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Habib Mission

The Israeli cabinet yesterday agreed "in principle" to Ambassador Habib's plan for PLO evacuation, but attached a number of amendments. According to Israeli radio, the cabinet insisted that only the Lebanese Army be allowed to enter West Beirut on the day the evacuation starts and that French, Italian, and US troops of the proposed multinational force deploy only after the evacuation was well under way. The cabinet also rejected the presence of UN observers, maintained that all Syrian troops in Beirut must leave along with the PLO, and demanded that the PLO return a captured Israeli pilot and the bodies of some Israelis killed during the recent fighting. [redacted]

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Comment: //The PLO probably will accept Lebanese Army deployment during the initial evacuation, but many Muslim Lebanese political figures believe that the Lebanese Army is little more than a Phalange front and may balk at the Israeli demand.// [redacted]

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Syrian Agreement To Accept PLO

According to Damascus radio, Syria's ruling Ba'th Party agreed yesterday to take all PLO fighters who wish to come to Syria. Sudan, Tunisia, North and South Yemen, and Iraq also said that they would be willing to take PLO elements. [redacted]

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//Former Lebanese Prime Minister Salam, who has been serving as a link to the PLO, said that the Syrians would take fighters from three radical groups close to Damascus, members of the Syrian-controlled Saiqa group, and other Palestinians who come from Syria. The Syrians later confirmed to the US Ambassador in Damascus their willingness to accept 2,600 PLO fighters plus another 300 at PLO discretion.// [redacted]

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Comment: //In an effort to blunt possible domestic criticism of the move, the Syrian announcement stressed that the decision to accept Palestinian fighters was taken only after Damascus received a PLO request for

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sanctuary. Syria's sudden reversal of position may result in part from fear of being outflanked by its longtime rival Iraq, which yesterday said that it would take all Palestinians from Beirut.// [REDACTED]

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//The Israelis are likely to view the Syrian decision with suspicion. They fear that Damascus will allow the PLO to operate behind Syrian lines in the Bekaa Valley and might permit the organization to reestablish its political position in Lebanon.// [REDACTED]

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//The Jordanians will also be upset by the announcement. They suspect that Damascus intends to use the PLO to mount terrorist operations against moderate Arab regimes.// [REDACTED]

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EASTERN EUROPE: Grain Harvest Prospects

//Grain production in Eastern Europe in 1982 probably will total about 94 million tons, slightly above the harvest last year of 92 million tons and near the 93.7-million-ton average of the past five years.// [redacted]

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Comment: Good crop prospects in Poland, Hungary, and Yugoslavia will largely be offset by problems in Romania and Czechoslovakia. Crop conditions in East Germany and Bulgaria point toward an average grain harvest.

[redacted]

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The production of small grains--rye, barley, and oats--is likely to be above average. On the other hand, the condition of the corn crop--about one-third of total East European grain production--suggests only an average harvest. Weather during the next several weeks will still play a role in determining production, because the harvest does not begin until late September. [redacted]

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//A near-average grain harvest will only marginally improve food supplies in Eastern Europe. Most regimes, faced with hard currency constraints, have already planned cutbacks in grain imports this year. Grain imports in the marketing year ending 30 June 1983 will decline moderately from the 13.4 million tons imported in marketing year 1982--which itself was below the 16-million-ton average of the previous three years.// [redacted]

The grain shortages will lead to further declines in livestock herds. The resulting reductions in meat supplies, especially in Poland, Romania, East Germany, and Czechoslovakia, will increase public dissatisfaction.

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INTERNATIONAL: UN Conference on Outer Space

//Delegates to the UN-sponsored conference on the exploration and peaceful uses of outer space now under way in Vienna face a number of difficult problems.// [REDACTED]

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//The conference's final report will have to deal with the legal status and use of the geostationary orbit--at some 22,000 miles altitude over the Equator--and the future role of the UN in space developments. Controversial sovereignty issues certain to provoke discussion include the call to delimit the lower boundary of outer space, the rights of less developed countries to access to satellite-derived analysis of their natural resources, and the regulation by individual states of foreign satellite broadcasts. The less developed countries have already met to plan ways to introduce their theories of global wealth distribution into forums on space questions.// [REDACTED]

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Comment: //Since consensus rules prevail, efforts by less developed countries to include wealth redistribution language in the final report probably will not succeed. These countries have less leverage to attain their wealth redistribution objectives in space forums than in other meetings. Nonetheless, they will argue for the creation of some mechanism that would give them a measure of control over remote-sensing satellites and their products and access to satellite technology and the geostationary orbit.// [REDACTED]

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//The Soviets are likely to use the conference for propaganda purposes. They may allege again that the US is militarizing space with its shuttle and blame the US for holding back Third World aspirations.// [REDACTED]

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//At the same time, however, Moscow shares US concerns about regulation of space development by the UN or any other international entity. The USSR will thus avoid firm commitments to the developing countries in order to retain flexibility.// [REDACTED]

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CHINA-US: Textile Negotiations

Difficult talks on renewing the Sino-US agreement on textile and apparel trade are being held this week in Beijing. The Chinese are objecting to restrictions on their rapidly growing exports of textile products to the US, arguing that the value of US sales of similar goods to China is larger. Chinese officials also have threatened a progressive reduction in purchases of US fibers, particularly cotton, and have implied the textile issue also might affect China's purchases of other goods.

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Comment: The US imported \$680 million in textile products from China in 1981 and is China's third-largest market after Japan and Hong Kong. The Chinese may try to use the negotiations to air grievances over US policy on Taiwan, but they are likely to accept US trade proposals because world demand is softening and restrictions on textile trade are tightening. The Chinese are anxious to maintain active commercial relations with the US despite political tensions.

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SPECIAL ANALYSES

PANAMA: Implications of the Shakeup

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The resignation of President Royo has firmly established National Guard Commander Paredes as the strongest political leader in Panama, ensuring continued movement to the right and offering hope for improved relations with the US. Vice President de la Espriella's succession to the presidency brings an experienced and respected businessman to the government's top post and may result in increased stability and growth for the weakened economy.

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The National Guard has held Royo in disdain since he was selected to be President by strongman Torrijos in 1978. De la Espriella--also close to Torrijos but politically to the right of Royo--was the Guard's preferred candidate. He reportedly enjoys good relations with Paredes.

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Paredes's replacement in March of former Guard Commander Florez contributed to the growing rift between Royo and Paredes. The key issues were Panama's economic problems, a lengthy teachers' strike, and charges of government corruption. Paredes feared these problems were beginning to discredit the government, thereby undermining the political system in which he intends to run as the official presidential candidate in 1984.

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De la Espriella--closely guided by Paredes--has already begun initiating the Guard Commander's publicly detailed "recommendations." The monthlong teachers' strike was settled during de la Espriella's first full day in office after Paredes--who had been publicly sympathetic to the teachers--called for both sides to reach an understanding. The US Embassy reports a member of the Guard's General Staff was present during the negotiations.

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Charges of corruption centering on the embezzlement of large sums of social security funds also were quickly addressed. Paredes gave Social Security Board members 72 hours in which to resign, and arrested several high officials of the fund, and a new director and deputy director have been named. [redacted]

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To broaden his political base, Paredes has called for raises for lower ranking government employees, the resignation of high-level controversial officials, and a revision of the labor code. In advocating the pay raises, Paredes is anticipating a reaction to the increase granted to teachers. [redacted]

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Paredes's push for sweeping changes in the government apparently is an effort to make his leadership more visible than during the cabinet shifts he helped institute last April. The new appointees are mostly apolitical moderates or conservatives who represent traditional interest groups. [redacted]

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All these actions--like Guard and cabinet shifts earlier in the year--presumably resulted from joint decisions by Paredes, Intelligence Chief Noriega, and other general staff officers. Noriega appears content to wait his turn as Guard Commander, which probably will come within a year or so after Paredes resigns to run for President. [redacted]

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Press Freedom and the Elections in 1984

The most controversial sidelight to Royo's removal was Paredes's shutdown of Panama's newspapers. This move probably was aimed at heading off opposition criticism and at enabling the Guard to muzzle its chief critic, *La Prensa*. Even the secretary general of the progovernment party criticized the shutdown. [redacted]

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Most restrictions have now been lifted, but some of the opposition press may challenge possible new censorship rules. Paredes's formation of a "Council for the Moralization of Information"--ostensibly to establish a code of ethics for the press--could create serious problems for the new government. [redacted]

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The suspension of the press also has aroused new concern over the democratization process, which is scheduled to culminate in legislative and presidential elections in late 1984. Paredes favors changes in the constitution that would allow for the direct election of the legislature as well as mayors and, presumably, provincial governors and other key officials. Paredes and de la Espriella also have reaffirmed support for the selection of the president through popular vote. [redacted]

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Meanwhile, Paredes has tried to win support among opposition parties by seeking revision of the electoral law and reconstituting the Electoral Tribunal to include representatives from the opposition--a move possibly aimed at returning control of the Panamenista Party to its founder and longtime leader, Arnulfo Arias. [redacted]

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Foreign Policy

The Guard has generally been willing to leave most foreign policy matters to the civilians. Paredes and the Guard's General Staff, however, apparently disagreed with Royo's recent call for the inclusion of Cuba in a new Latin American security arrangement that would exclude the US. De la Espriella has already publicly disavowed Royo's proposal. [redacted]

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No significant or immediate shifts in other foreign policy areas are likely, but the tactic of calculated public confrontation with the US--which was used often by Torrijos and continued by Royo and Foreign Minister Illueca--probably will be abandoned. This could result in greater cooperation with US policy in Central America and support for the Caribbean Basin Initiative. Paredes is likely to use his visit to Washington later this month to forge closer ties. [redacted]

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By making Illueca vice president, Paredes probably hopes to lessen his influence in the foreign policy area while placating his leftist backers. The appointment still has to be confirmed by the National Assembly. [redacted]

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Outlook

Paredes's heavyhanded style, particularly the suspension of the press, has already hurt the new government's image. Unless Paredes makes a greater effort to camouflage his role, he risks alienating influential civilians in the government and in the opposition. [REDACTED]

Both the Guard and civilian leadership probably will continue to support the democratization process, although some modification of electoral laws and government-press relations may occur. If Paredes suspects his presidential hopes are fading, however, he might call for early elections or arrange de la Espriella's removal. [REDACTED]

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Meanwhile, Paredes will continue to guide the President closely, turning Panama's attention inward. De la Espriella's conservative political views, coupled with financial expertise, will go far in establishing a more compatible working relationship with the Guard. They also offer a solid chance for solving many of the country's lingering economic and political problems. [REDACTED]

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[redacted]LIBERIA-US: Head of State Doe's Visit
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Head of State Doe hopes his visit to Washington next Tuesday will result in assurances of the continued US support he needs to shore up his shaky regime. Doe's leadership is critical to the maintenance of Liberia's fragile stability, but his position remains vulnerable. The economy is in poor condition, and there are serious problems in the military. [redacted]

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Public disenchantment with military rule has risen with continued economic stagnation, although the prospect of eventual civilian rule has helped to mute active opposition. Doe, however, has faced a near constant undercurrent of military plotting. He has alienated some officers by consolidating power at their expense, trying to curb their corruption, and moving toward civilian government by 1985. [redacted]

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Other problems range from inadequate housing and equipment to low morale, poor administration, and unfulfilled desires for advanced weapons that Liberia does not need. In the event of civil disturbances, poorly disciplined enlisted men could refuse to back the government. [redacted]

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Weak world demand for Liberia's exports of iron ore and rubber, coupled with poor government fiscal management, have resulted in no real improvement in the economy. The regime continues to rely on last-minute maneuvering--with substantial US Embassy assistance--to coordinate US and other international aid disbursements. It depends on international borrowing to avoid default and meet IMF guidelines. [redacted]

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Counting on the US
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Chronic budget problems have given rise to a belief in Monrovia that Washington should do more to ease the government's financial burden. US Embassy reporting suggests Doe's frustrations with the economy pose the most serious potential irritant to Liberian-US relations.

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During his visit, Doe will request additional US budgetary and military assistance--now \$75 million annually--despite an already ninefold increase in US aid since the coup in April 1980.

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Possible Pressure Tactics

A severe worsening of the economic situation might prompt the regime to adopt a less pro-Western foreign policy in a bid to obtain more US aid. Doe, however, is strongly suspicious of Libyan and Soviet intentions in Africa.

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Last year the Liberian leader expelled the Libyan mission and reduced the size of the Soviet Embassy because of his fear of subversion. He is likely to voice concern over possible Libyan retaliation for his boycott of the unsuccessful OAU summit in Tripoli.

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